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C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000967

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USPACOM FOR FPA

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SUBJECT: ECONOMIC TENSIONS IN THE BURMESE MILITARY

REF: A. RANGOON 247

[1](#)B. 03 RANGOON 1552

[1](#)C. 03 RANGOON 1417

Classified By: COM Carmen Martinez for Reasons 1.4 (B,D)

[1](#)1. (C) Summary: There has been much talk recently of perceived "rifts" in the senior military leadership of Burma and between the regional commanders and the central command structure. Some claim that these rifts are based on starkly differing views on the best political path for Burma to take. However, they are likely more deeply rooted in a long-standing and complex web of friction over economic interests and fundamental intra-military rivalries. In any event, we see no way that these economic and other differences will lead to any systemic change. End summary.

Political Differences are Skin Deep

[1](#)2. (C) It has become popular lately to blame perceived frictions among the senior leaders, between combat troops and military intelligence (MI), and between field commanders and the central command on fundamental political differences. We are skeptical that any such differences would go very deep. Military leaders across the board are in the same boat politically. It's hard to envision any democratic political system in which any military leader would be better off than he is now. Thus we believe it is more appropriate to look at traditional academic and economic rivalries when seeking to explain any internecine conflict.

My Old School

[1](#)3. (C) The long-standing rivalry between graduates of various military officer programs cannot be ignored but shouldn't be overstated. Traditionally there were four ways to become an officer: do four years (now three years) of university study at the highly selective Defense Services Academy (DSA); do a post-graduate year-long course at the Officers Training School (OTS); do a two-year post-high school apprenticeship program followed by a year in the field; or, make your way up the ranks based on merit, connections, or luck. The latter two systems have the fewest representatives in the top echelon, and the apprenticeship program was reportedly scrapped a few years ago. Thus, the most politically important actors in Burma are generally DSA graduates (who view themselves as the elite "West Pointers" of the Tatmadaw) and those of the OTS (who have some jealousy of the DSA grads but think of themselves as more worldly as they've attended university outside the military sphere). There is also a particular bond between graduates of DSA, who call each other "brother," and in particular those of like classes (or "batches") who have regular reunions.

[1](#)4. (C) The current leadership is well divided between the different schools. SPDC Chairman Senior General Than Shwe (1954) and Prime Minister General Khin Nyunt (1960) are OTS, while SPDC number two Vice Senior General Maung Aye (1959) and rising star Lieutenant General Shwe Mann (1969) are DSA. This could explain some of the purported tension between Khin Nyunt and Maung Aye. However, it cannot be assumed that differing military educational background is the most important element in intra-service relationships. Graduates of different schools also often make good bedfellows: Shwe Mann (DSA) is known to be a right-hand man of Than Shwe (OTS). Also, graduates of the same schools can be rivals or enemies. For example Maung Aye and Shwe Mann (both DSA) are thought to be competing to succeed Than Shwe and there are rumors that Khin Nyunt and Than Shwe (both OTS) don't see eye to eye on some issues. Outside of the SPDC, we note that a similar trend is visible. For instance, Senior General Than Shwe's most trusted toady in military intelligence is a DSA grad -- MI Deputy Chief Major General Kyaw Win. Similarly, Khin Nyunt's closest deputy, Brigadier General Kyaw Thein, is DSA.

MI and the Army: Economic Divisions of Labor

[1](#)5. (C) The business interests of the regional commanders and other combat troops (the "Tatmadaw"), championed on the national level by Vice Senior General Maung Aye, are based

largely on graft and muscle. These officers, often tasked by their superiors to be self supporting, skim from local businesses, sell off military supplies (particularly food and fuel), force private entities to partner with them (especially in extractive industries), collect road tolls, offer protection services, etc. General Maung Aye, as chairman of the Trade Policy Committee also has significant authority over extremely lucrative import licenses, which he doles out to favored civilian and military cronies. Two enormous exceptions to the Tatmadaw's normal, more mercenary, approach to business come with the military-controlled corporations: the Myanmar Economic Corporation (MEC) and Myanmar Economic Holdings, Ltd. (MEHL). The latter conglomerate in particular, whose shares are majority owned by the various regional commands, runs business ventures across the spectrum either independently or in a joint venture partnership (ref C).

16. (C) In contrast to the regional commands, the vast MI apparatus (controlled by Prime Minister Khin Nyunt) is a far more sophisticated "mafia-like" operation. Aside from taking graft and running protection rackets, MI divides up its territory and is very active running its own small business fronts, especially hotels and restaurants, and controlling essential junctures of the economy -- such as the informal financial remittance system and border trade smuggling. It also has a hand deep into the entertainment industry -- gambling, karaoke, nightclubs, and some prostitution. Regional MI commanders can also use their leverage over regional commanders to horn in on the economic rents being earned by these Tatmadaw officers -- who are usually much higher rank than their MI colleagues. This is much resented, but there is little the regional commander can do if he wishes to avoid a bad report going into his MI file.

Turf Wars

17. (C) Aside from MI "poaching," another factor generating tensions in the ranks is the expanding economic role of ethnic cease-fire groups (CFGs) -- given economic concessions a decade or more ago by Prime Minister, then Secretary One, Khin Nyunt in exchange for peace. These groups -- such as the Wa, Kokang, Kachin, and Pa-O -- are seen as affiliated with the MI because of the primary role played by General Khin Nyunt in the negotiation of the cease-fire accords and the long animosity between these groups and the combat troops against whom they fought for many years.

18. (C) As the CFGs grow wealthier from their local concessions, they have expanded outside of their designated "special regions" and are bringing their capital and connections into ethnic Burman areas, stealing market share in areas that were traditionally the feeding trough of the regional commanders. One active Rangoon businessman told us that when he wanted to set up shop in Bago, about 50 miles northeast of Rangoon, he engaged a transplanted ethnic Wa fixer rather than dealing directly with the regional commander. Another Rangoon businessman agreed with this decision, saying the CFG leader is likely to be a much longer-term business partner than a regional commander who could be transferred anytime.

19. (C) This is a new phenomenon and has the potential of expanding MI-Tatmadaw acrimony in the future. Despite any anger the regional commander might feel, these CFG reps are seen as "untouchable" because of their close ties with the Prime Minister and MI. This area of conflict is only lessened now, we have been told, by CFG desires to minimize antagonism with the regional commanders to reduce interference in any ongoing illegal activities.

Business and Family are Key for Big Three

10. (C) This business-based conflict between various elements of the military trickles up, with complaints at the local levels eventually reaching the ears of respective "champions" in Rangoon. Friction ensues as the Prime Minister and Maung Aye try to maximize their respective civilian patronage networks and keep their respective troops fat and happy. The veto power of Senior General Than Shwe, who is very weak in business and economic matters, adds to the discord and confusion.

11. (C) Some retired military officers now in business argue that Than Shwe abhors business and does not like his subordinates involved in it. Supporting this theory, Than Shwe's children, with one notable exception, are not involved in large economic concerns as are most other privileged kids of senior military officials. Most of Than Shwe's known offspring are in the foreign ministry, others just lazily reap the low-lying fruit granted them as progeny of "Number One." On the contrary, General Khin Nyunt has been described by Rangoon businessmen as a "Thaksin-like" Prime Minister, seeking to dominate both the economic and political worlds. He and his MI apparatus are like economic octopi trying to take a leading role in all the perceived "cutting edge"

sectors like tourism, IT, etc. The PM has set up two of his three sons (the third is a senior MI officer) in powerful economic positions: one is the head of the country's dominant IT firm and another is the publisher of a respected business magazine (among other business interests).

112. (C) Vice Senior General Maung Aye is deeply interested in business, but thus far his family has been incapable of competing with Khin Nyunt's for economic dominance. Maung Aye's daughter runs Queenstar computer business, which has not flourished in competition with Khin Nyunt's well-organized control of the industry (either directly or through an MI-managed Computer Association of private firms who were allocated market share).

Comment: Will They Play Nice?

113. (C) The bottom line is that there is no evidence to support the conclusion that high-level frictions are caused by differing views of the country's destiny or the path to it. There are other areas of rivalry that have been a source of friction for many years and will likely continue to be so. Rivalries over dividing the economic pie are manifold and complex and will continue to grow if the economy becomes more open to regional foreign trade and investment and as the CFGs continue to edge up to the table. While these areas of disagreement may be bad for morale, and cause anxiety among the top echelon, they are not serious enough to upset the apple cart. As long as the regime continues to run its country according to plan, with little successful international or domestic pressure, the desire to maintain a common political front will surmount any other areas of discord. End comment.
Martinez